



AFFILIATE BILLING DATA MONTHLY UNITS

Retain 10 Years. until _____

*NOTE: A WRITTEN EXPLANATION FOR ALL ADJUSTMENTS MUST BE INCLUDED ON OR ATTACHED TO APPROPRIATE SW-2681.

MONTH & YEAR IN WHICH SERVICE WAS PROVIDED _____ A _____

SCHEDULE & ADDENDUM NUMBER _____ B _____

G

*ADJUSTMENT EXPLANATION: _____ C _____							
AFFILIATE NUMBER _____ D _____				UNIT PRICE \$ _____ E _____			
UNIT DESCRIPTION _____ F _____							
SECTION	GHQ	NR	AR	KS	MO	OK	TX
UNITS PROVIDED: _____							

*ADJUSTMENT EXPLANATION: _____							
AFFILIATE NUMBER _____				UNIT PRICE \$ _____			
UNIT DESCRIPTION _____							
SECTION	GHQ	NR	AR	KS	MO	OK	TX
UNITS PROVIDED: _____							

*ADJUSTMENT EXPLANATION: _____							
AFFILIATE NUMBER _____				UNIT PRICE \$ _____			
UNIT DESCRIPTION _____							
SECTION	GHQ	NR	AR	KS	MO	OK	TX
UNITS PROVIDED: _____							

*ADJUSTMENT EXPLANATION: _____							
AFFILIATE NUMBER _____				UNIT PRICE \$ _____			
UNIT DESCRIPTION _____							
SECTION	GHQ	NR	AR	KS	MO	OK	TX
UNITS PROVIDED: _____							

H

AFFILIATE NUMBER _____		SECTION _____		<input type="checkbox"/> SAME REVENUE DISTRIBUTION	
SPECIAL CHARGE TO BE APPLIED TO CURRENT MONTH'S BILL \$ _____					
SPECIAL CHARGE: MAIN ACCOUNT _____ JFC _____					
DESCRIPTION OF SPECIAL CHARGE _____					

INCOME AND REVENUE DISTRIBUTION:					
GHQ					
Arkansas _____ %	Kansas _____ %	Missouri _____ %	Oklahoma _____ %	Texas _____ %	GHQ _____ %
Enter GHQ Prorate Percentage(s): A5 _____ % A6 _____ % AY _____ %					
NORTHERN REGION (NR) LOCATION CODES AA0170 AND AA5002 ONLY					
Arkansas _____ %	Kansas _____ %	Missouri _____ %	Oklahoma _____ %	NR _____ %	
Enter NR Prorate Percentage(s): A5 _____ % A6 _____ % AY _____ %					

I APPROVED BY: _____
CONTRACT ADMINISTRATOR _____ DATE _____
TITLE _____

FOR INTERNAL USE ONLY
☐ Official File Copy, If Checked in Red

SW-2681
(Rev. 4-96)

MONTHLY UNITS DATA FOR REPORTING BY MARKET AREAS

(SCHEDULES 75, 77, 94 ONLY)

Instructions for Preparation of Form SW-2681A are the same as preparing the SW-2681 (Pages 26 & 27) except the units provided are reported by market area.

The Contract Administrators who are responsible for these schedules (75, 77 & 94 only) have been made aware that data for these schedules are to be reported by the proper market areas. The Kansas City market area is further split to report the Kansas portion and the Missouri portion.



Retain 10 Years, until _____

AFFILIATE BILLING DATA MONTHLY UNITS BY MARKET AREAS (SCHEDULES 75, 77 AND 94 ONLY)

MONTH & YEAR IN WHICH SERVICE WAS PROVIDED: _____

SCHEDULE & ADDENDUM NUMBER: _____

AFFILIATE NUMBER _____ UNIT PRICE \$ _____

UNIT DESCRIPTION _____

(K.C*)
MARKET AREAS: ARK KS MO ST LOUIS OKLAHOMA

UNITS PROVIDED: _____

MARKET AREAS: DALLAS HOU/SOUTHEAST TEXAS (SAN ANTONIO) SOUTH TEXAS (AUSTIN) CENTRAL & WEST TEXAS

UNITS PROVIDED: _____

ADJUSTMENT EXPLANATION: _____

AFFILIATE NUMBER _____ UNIT PRICE \$ _____

UNIT DESCRIPTION _____

(K.C*)
MARKET AREAS: ARK KS MO ST LOUIS OKLAHOMA

UNITS PROVIDED: _____

MARKET AREAS: DALLAS HOU/SOUTHEAST TEXAS (SAN ANTONIO) SOUTH TEXAS (AUSTIN) CENTRAL & WEST TEXAS

UNITS PROVIDED: _____

ADJUSTMENT EXPLANATION: _____

☐ SAME REVENUE DISTRIBUTION

AFFILIATE NUMBER: _____ SECTION: _____

SPECIAL CHARGE TO BE APPLIED TO CURRENT MONTH'S BILL: \$ _____

SPECIAL CHARGE: MAIN ACCOUNT _____ JFC _____

DESCRIPTION OF SPECIAL CHARGE: _____

*INCLUDES KANSAS AND MISSOURI 417 & 816.

APPROVED BY:
CONTRACT ADMINISTRATOR: _____

TITLE: _____ DATE: _____

NOTE: A WRITTEN EXPLANATION FOR ALL ADJUSTMENTS MUST BE INCLUDED ON OR ATTACHED TO THIS FORM.

FOR INTERNAL USE ONLY

☐ Official File Copy, If Checked In Red

SW-2681A
(4-96)

MONTHLY TAX DATA REPORTING

Data Provision

Certain items provided under contract to Southwestern Bell Corporation and to its affiliates by SWBT, are subject to state, local and federal excise tax. Generally tax must be applied to the sales or lease of tangible personal property and telephone services. The Area Manager-Affiliate Transactions coordinates with the Finance-Tax Division and Legal to determine which items are taxable, what tax applies, and the taxing situs (which state, county, city and local transportation sales/use taxes apply based on where the service is performed, delivered, etc.). On the advice of the Area Manager-Affiliate Transactions, the Manager-Affiliate Billing informs the Contract Administrators which items are subject to tax, and provides an initial supply of Form SW-2681T, Affiliate Billing Tax Data. The Contract Administrator prepares the SW-2681T for those items that have been identified as subject to taxes. The SW-2681T is attached to the appropriate SW-2681 for that same item and forwarded to the Manager-Affiliate Billing. The number of units shown on the SW-2681T must agree with the number of units on the associated SW-2681 for each taxable item.

Positive Reporting

Form SW-2681T for taxable items must be provided by the fifteenth calendar day of each month even if there are no taxable units for a specific month. The schedule and addendum number and item description must be on the form with a zero "0" in the first units space.

PROCEDURE FOR COMPLETING FORM SW-2681T, AFFILIATE BILLING TAX DATA

- A) Month and year the service was provided that is applicable to the taxes being reported.

Note: Only one month can be reported in this field.

- B) Affiliate, Schedule and Addendum number of the service that is subject to taxes.

- C) Description of the service subject to tax.

- D) Unit price of the service subject to tax.

- E) The city and state where the service was originated.

- F) The city(s) and state(s) where the service was delivered.

- G) The number of units of service subject to tax.

- H) The signature of the Contract Administrator.

- I) The date the SW-2681T was signed by the Contract Administrator.

LARKIN

ATTACHMENT 6

February 1997

To All SWB Wireline Management Employees:


It has been a year since the enactment of the Telecommunications Act of 1996. Since that time, a lot of work has been done to prepare for Southwestern Bell's entry into this era of increasing competition. Throughout our five-state serving area, we have had teams of employees negotiating interconnection and resale agreements with local service providers (LSPs).

Behind the scenes, many others have been working to modify existing systems and processes, and in some cases develop new ones to prepare to handle the new business created by LSPs. We have opened a new Local Service Provider Service Center (LSPSC) to handle all LSP order activity. To date, SWB has entered into 72 negotiated interconnection/resale agreements with numerous local service providers, with many more still in the negotiation process. Some of the agreements with LSPs have already been implemented, others are underway.

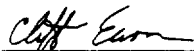
As we move into a more competitive arena, we assume many more obligations. While LSPs are our competitors, they are also our customers. As with all customers, we are obligated to treat them in a nondiscriminatory manner. Competition has not only brought forth obligations for us; it has also presented us with numerous opportunities. Opportunities to grow our business — Opportunities to enter markets where previously prohibited — Opportunities to be a "One-Stop-Shop" for all of our customers' telecommunications needs.

As we enter this very new and exciting era, we must remember that with all the wonderful opportunities that await us, it is imperative that we provide nondiscriminatory treatment to our new customers, LSPs. It's not only the law, but a cornerstone principle of SWB to provide ethical, top quality, state of the art service to all our customers.

To ensure that all SWB employees have a good understanding of our basic responsibilities and opportunities, all employees are required to view the enclosed video which has been developed as a tool to extend this very important message. "Competition: Our Responsibilities And Opportunities" provides an overview of the fundamental responsibilities all SWB employees have when dealing with LSPs or matters concerning LSPs. Also enclosed is a set of Questions and Answers developed to reinforce points made in the video and to address other questions that may arise.



Ed Mueller
President & CEO SWBT



Cliff Eason
President & CEO SWBC, Inc.



Stephen Carter
Vice President - General Manager (Special Markets)

Enclosures

Our Responsibilities and Opportunities.”



Questions and Answers

Q: What is a local service provider (LSP)?

A: An LSP is a state-certified provider of local exchange service who provides local telephone service within and outside of SWB serving areas.

Q: Explain the basic differences between LSPs that resell SWB service, those who are called resellers and those called "facility-based providers?" Explain the difference between facility-based providers and those that purchase unbundled network elements (UNEs) from SWB to provide local exchange service.

A: Pure resellers purchase SWB telecommunications services at a discount off SWB retail rates and resell these same services to their customers. Facility-based providers have their own network and provide local service to their customers over their own facilities, or over some combination of their own facilities and SWB unbundled network elements (UNEs). LSPs who purchase UNEs from SWB (e.g., the loop from the serving wire center to the customer premises) may provide their local service using some of SWB unbundled network elements combined with their own, or they may purchase from SWB various UNEs which, when combined, make up a "whole service" offering. Facility based providers "interconnect" with SWB in a manner similar to that of Independent companies for the exchange of traffic between networks.

Q: An end user is asking about an LSP. What should I say?

A: Be courteous and explain that Southwestern Bell does not handle inquiries about alternate providers. If available to you as part of your job, politely provide the caller the telephone number of the requested LSP; otherwise, refer the caller to the telephone directory or directory assistance to obtain the LSP's telephone number.

Q: If someone calls SWB with a complaint against an LSP, what should I do?

A: Calls not directed to, or about, SWB should be referred to the appropriate LSP. Remember, you must not disparage the LSP. An innocent reply may be misinterpreted or misconstrued - therefore, it is best that you refrain from commenting and politely refer the customer to their LSP.

Q: How are we to handle slamming (unauthorized changes in local service providers)?

A: If the slamming allegations involve a SWB customer being changed to an LSP without their consent, the customer should contact their SWB business office to inquire about returning to SWB.

If the slamming allegations involve an LSP customer inadvertently being changed to SWB without their consent, the customer needs to contact their LSP for resolution.

If the slamming allegations involve two LSPs, refer the customer to the LSPs for resolution. SWB will not become involved unless requested to investigate by one of the LSPs involved.

All employees must be courteous and remember not to disparage LSPs when slamming allegations are made.

Q: If a current SWB customer advises me that he or she is contemplating as to whether he or she should switch to an LSP, what should I say?

A: First, do not criticize or make any disparaging remarks about an LSP. When you are certain that the customer has not already made the decision to leave SWB, you should stress to the customer why SWB is a great value. In doing so, you may want to list for the customer the "Top 10 Reasons Customers Should Choose SWB".

Q: When I have contact with an LSP customer, can I try to convince him/her to switch back to SWB?

A: No. We will have efforts underway to attempt to "win back" previous customers and to obtain new ones. However, we are generally prohibited by law from using our "normal" business channels for these efforts. Any attempt to win back a customer during these contacts may result in legal problems for SWB.

If, and only if, the LSP customer initiates the request to switch their local service to SWB, carefully document the conversation. Turn the documentation into your immediate supervisor. If appropriate, refer the LSP customer to the appropriate SWB business office.

Q: What efforts are we planning to win back customers who switch to LSPs?

A: We are working on several efforts and will provide you information as we begin to roll them out.

Q: Should we make sales attempts with LSP customers?

A: **No. Do not attempt to make sales or service suggestions to the LSP customer. If the LSP customer inquires about SWB's services, you may answer direct questions, but don't attempt to sell any of SWB's services.**

Q: What do we tell an LSP customer when they ask why we're (SWB technicians) installing their telephone line, when they get their local service from an LSP?

A: **Advise the LSP customer that SWB is there on behalf of their LSP. If they have questions or concerns in the future, such as with a bill or with a repair problem, they should contact their LSP directly.**

Q: How do I handle a call from an LSP customer (or potential LSP customer) who calls the RSC/BSC?

A: **If the customer has made a final decision to switch his/her local phone service to an LSP, do not attempt to "save the sale". Refer the customer back to their LSP. However, if the customer has not made a final decision to switch his/her service to an LSP, we can and should make an effort to "save the sale".**

Q: Will the RSC/BSC handle service order requests for LSPs?

A: **No. SWB has established a new center, the Local Service Provider Service Center (LSPSC), that will handle all LSP service requests. The LSPSC is located in Dallas.**

Q: I'm a customer contact employee, while this video gives a good overview of the "do's and don'ts" when it comes to LSPs, will I be receiving more detailed instruction or training pertaining to these issues?

A: **Yes, all customer contact employees, and even many of those who don't have direct customer contact, will be receiving specific training regarding the proper handling of LSP issues.**

Q: Will customers of LSPs also contact the LSPSC to inquire about their service?

A: **No. The LSPSC will deal directly with the LSPs regarding service requests and inquiries. The LSPs have their own customer service centers for their customers to call.**

Q: Will LSP customers be listed in our White Pages directories and/or Yellow Pages directories?

A: All resale services LSP customers will be automatically included in SWB's White Pages directories. Facility-based LSPs may choose to list their customers in SWB's White Pages directories or they may opt to publish their own directories. To date, all facility-based providers with whom we have interconnection agreements have chosen to include their customers' listings in SWB's directories. All LSPs must deal directly with SWBYPs for Yellow Pages listings.

Q: Will there be LSP information numbers in SWB's White Pages directories?

A: Yes, most LSPs will list repair and business office numbers in the "Customer Guide" section of SWB's White Pages directories.

Q: Will our customers be able to get an LSP's customer's number from our directory assistance?

A: Yes, our DA operators will have access to all listing information pertaining to LSP resale services customers. When a facility-based provider contracts with SWB to handle their DA service, our DA operators will have access to these LSPs' listings as well. In addition, where SWB does not provide DA service for the facility-based LSP, SWB will offer to purchase the LSP's directory listing information so that SWB has it available to provide to its customers.

Q: I have heard that even if a customer switches local phone service providers they can keep their existing number. Is this true?

A: Yes, with interim number portability, customers who change local providers will be able to keep their existing number(s) so long as they remain at the same (business or residence) location.

Q: Will LSP customers be required to dial more numbers than a SWB customer to place a call?

A: No, all customers (both LSP and SWB) will dial the same number of digits when placing calls.

Q: When are we planning to offer long-distance within our Five-State serving area?

A: Southwestern Bell plans to enter the long distance market within the Five-State serving area just as soon as it fulfills its obligations under the Federal Telecommunications Act.

Q: Are we going to be an LSP in any other LEC's territory within our five-states?

A: SWB is currently negotiating with GTE to provide local service in the north Dallas/Irving, Texas area. While SWB does plan to enter other markets it is not currently serving today, no other negotiations are going on at this time within our Five-State region.

Q: Is anyone collecting general solicitation information we get at home or office from LSPs?

A: Yes. The SWB Competitive Analysis Group is collecting articles, literature, direct mail pieces, etc. sent out by LSPs. Please send that type of information you receive to: Competitive Analysis Group, One Bell Center, Room 11-G-4, St. Louis, MO 63101. Obviously, information received from LSPs on a confidential basis must not be shared outside of the employee group that obtains such information in order to serve the LSP.

Q: How many agreements has SWB signed with LSPs? How many LSPs are negotiating with SWB?

A: This number changes on a daily basis - any numbers given out here would be outdated very quickly. To give you an idea of how we are doing: As of 1/31/97, SWB has signed a total 72 interconnection/resale agreements with 41 LSPs throughout our five-state region. Of that total, 27 are facilities based and 45 are resale agreements. Of the 27 facility based interconnection agreements, 17 have been approved by the appropriate state commissions, 8 are filed and pending approval, and 2 have been signed and are being prepared for commission filing. Of the 45 resale agreements, 11 have been approved by the appropriate state commissions, 18 have been filed and are pending commission approval, and 16 have been signed and are being prepared for filing. SWB is currently negotiating with 81 other LSPs throughout the five-state region. These negotiations have the potential of producing 173 additional interconnection/resale agreements throughout the five states.

Q: Lately, I've heard an awful lot about negotiations with local service providers (LSPs). Who is handling the negotiations with LSPs who want to do business with SWB?

A: All inquiries from LSPs are handled through the Competitive Provider Account Team (CPAT) located in Dallas. If an LSP inquires with you as to how they would do business with SWB, you should request they send any written correspondence to: General Manager-Competitive Provider Account Team, One Bell Plaza, Room 0525, Dallas, TX 75202, or via fax to 214-464-1665. To reach the CPAT by phone, LSPs should call 214-464-1486.

Q:
A:

What would I say if a customer, or even a neighbor or friend, asks me about an LSP?

As a SWB employee, whether you are "on or off the clock," it is important that you refrain from making any comments about the LSP. If the individual is asking specific questions about the LSP and, as part of your job, you have the LSP's telephone number, politely refer them to the LSP and provide the telephone number. If you do not have the number, refer the individual to the telephone directory or to directory assistance to obtain the telephone number.

Q:
A:

Is there additional training on competition available through SBC - Center For Learning?

Yes, a new competition workshop entitled "Competition: Transportation to a New Era," course number CTNE-WS, featuring the Competition video is available, for all RSC/BSC/Premises Sales employees. There are three modules, each of which can be taken individually: Module 1 - Competition (CTNE-1); Module 2 - LSPs (CTNE-2); and Module 3 - Antitrust (CTNE-3).

Official Copy _____
Duplicate Copy ✓

Retain Until _____

St. Louis, January 31, 1997

MR. ATTERBURY:
MS. CARPENTER:
MS. CARR:
MR. CARTER:
MR. CASALI:
MS. CHAMPION:
MR. COLE:
MR. DIETZ:
MR. EDELMANN:
MR. EASON:
MS. FANNIN:
MR. GALLEMORE:
MR. GESCHWIND:

MR. GILLIAM:
MR. GLOTZBACH:
MS. K. JENNINGS:
MR. R. JENNINGS:
MR. KAUFMAN:
MR. KIERNAN:
MR. LINDNER:
MR. LOPEZ:
MR. LUCAS:
MS. MANNING:
MS. MARTINEZ:
MR. MASTERS:

MR. MORGAN:
MS. PARKER:
MR. PAYNE:
MR. SHELLEY:
MR. SIGMAN:
MR. TAYLOR:
MR. TURNER:
MR. VEHIGE:
MS. WAGNER:
MR. WALKOVIK:
MR. H. WILKINS:
MR. R. WILKINS:

This is to advise you and those managers in your organization that deal with Southwestern Bell Telephone Company sales to or purchases from affiliated companies that there have been changes in the FCC rules that govern those sales and purchases. On December 24, 1996, the FCC issued an order in CC Docket 96-150 that implemented those changes. Attachment A provides a matrix of the changes and compares them to the rules that currently exist.

In overview, the changes are as follows:

1. In order to use a prevailing price for a service or asset that SWBT sells to or purchases from an affiliated company, SWBT must show that sales for a particular service or asset to nonaffiliated third parties encompasses greater than 50 percent of the total quantity of such services or asset sold by the entity. (Prevailing price is the price actually paid by nonaffiliated third parties for the same service or asset.)
2. For assets or services subject to the nondiscrimination requirements of Section 272 of the Telecommunications Act of 1996, SWBT may record such assets or services at prevailing price regardless of whether the 50 percent threshold has been satisfied. This is an exception to the 50% test for nontariffed facilities, services or information allowed by the FCC.
3. There is a new valuation procedure for nontariffed services SWBT purchases from an affiliate that does not exist solely to provide services to members of the

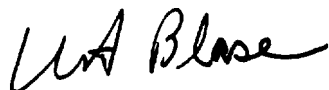
corporate family. If a service does not have a prevailing price and is not tariffed, the Maximum amount SWBT can record on its books for the purchase of that service is the lower of the estimated fair market value of the service or the affiliate's fully distributed cost for providing the service. (Estimated fair market value is an evaluation of what the same service would have cost from an unaffiliated vendor.)

4. For services that are not tariffed or prevailing price that SWBT sells to an affiliate, SWBT must record the higher of the estimated fair market value or fully distributed cost for SWBT to provide the service.
5. If a tariffed rate is not available for a service SWBT sells to affiliates, SWBT is allowed to use rates established pursuant to the Telecommunications Act of 1996 in publicly-filed interconnection agreements and statements of generally available terms and conditions.

SWBT must implement these rule changes in a short time frame to assure compliance requirements are met for the application for interLATA relief. To expedite the implementation of these requirements, the affiliate oversight group in my organization will work with the managers within your organizations responsible for the provision of affiliate services to define any specific changes that may be required in existing contracts, pricing procedures or true-up clauses in specific contracts. It continues to be our corporate policy to conform affiliate contracts to the FCC accounting safeguard requirements to assure compliance with those requirements and a clear audit trail.

We realize there are numerous issues from the Telecommunications Act that are being reviewed and discussed at this time. It is very important that we look at all of our existing affiliate contracts and implement the revised FCC accounting safeguards in a timely manner.

Kathleen Larkin will have the responsibility for the implementation of these rule changes and can be reached on 314-235-4907 should you or your staff have any questions. Again, we will work directly with the members of your staff with responsibility for the provision of affiliate services to direct and coordinate the required changes.



William A. Blase
Managing Director-Regulatory and External Affairs

Attachment

Regulatory and External Affairs
State Regulatory Issues

CC: Mr. Dupre
Ms. Marks

**SOUTHWESTERN BELL TELEPHONE COMPANY
OVERVIEW OF CC DOCKET 96-150 - ACCOUNTING SAFEGUARDS**

**CURRENT REQUIREMENTS OF SECTION 32.27 OF THE
FCC RULES AND REGULATIONS**

**REVISED REQUIREMENTS OF SECTION 32.27 OF THE
FCC RULES AND REGULATIONS**

1. Assets or services sold by or transferred between SWBT and an affiliate pursuant to a tariff, shall be recorded at the tariffed rate

SAME (SWBT is allowed to use rates in publicly-filed interconnection agreements and statements of generally available terms when tariffed rates are not available)

2. Non-tariffed assets or services sold by or transferred between the carrier and an affiliate may be recorded at the prevailing price.

Prevailing Price is established by a substantial number of sales to unaffiliated third parties.

SAME (Except for the definition of prevailing price.)

Prevailing price is established if sales of a particular asset or service to nonaffiliated third parties encompasses greater than 50 percent of total quantity of such product or service sold by an entity.

3.

SWBT sales of facilities, services or information which are subject to the nondiscrimination requirements of Section 272 of the Telecommunications Act of 1996, may be recorded at prevailing price regardless of whether the 50 percent threshold has been satisfied.

4. For all other assets sold by or transferred from the carrier to an affiliate, the asset shall be recorded by the carrier at the higher of fair market value and net book cost.

SAME

5. For all other assets purchased by the carrier from an affiliate, the asset shall be recorded by the carrier at the lower of fair market value and net book cost.

SAME

6. For all other services a carrier purchases from or sells to an affiliate, the service shall be recorded at fully distributed cost.

For services the carrier purchases from an affiliate that exists solely to provide services to members of the corporate family, the services shall be recorded at fully distributed cost. [The FCC retained the significant ratepayer benefit from centralized functions and the economies of scope and scale that accrues.]

For all other services the carrier purchases from an affiliate, the service shall be recorded by the carrier at the lower of fair market value and fully distributed cost.

For all other services the carrier sells to an affiliate, the service shall be recorded by the carrier at the higher of fair market value and fully distributed cost.

St. Louis, April 28, 1997

REPLY DUE _____

MR. BLASE:
MR. CARTER:
MS. CHAMPION:
MR. COLE:
MR. EASON:
MR. GALLEMORE:
MR. GALVIN:
MR. GLOTZBACH:
MR. GILLIAM:
MS. JENNINGS:
MR. KAUFMAN:
MR. LINDNER:
MR. LOPEZ:
MR. LYNCH:

MS. MARTINEZ:
MR. MASTERS:
MR. MORGAN:
MS. PARKER:
MR. PAYNE:
MR. RICHTER:
MS. SNYDER:
MR. SHELLEY:
MR. TAYLOR:
MR. TURNER:
MR. VEHIGE:
MR. WALKOVIK:
MR. HORACE WILKINS:
MR. RAY WILKINS:

The Communications Act of 1996 provides that SWBT may not discriminate in favor of any 272 affiliate in the provision or procurement of goods, services, facilities and information, or in the establishment of standards. In addition to this non-discrimination requirement, neither SWBT nor any of its non-272 affiliates may engage in the "installation, operation, or maintenance" ("OI&M") of a 272 affiliate's network, and no 272 affiliate may engage in the OI&M of SWBT's network.

As we move toward interLATA freedom and beyond, SBC will be under intense external scrutiny regarding its compliance with these legal requirements. It is very important that all affiliate transactions between SWBT and any 272 affiliate fully comply with these guidelines; failure to do so could, by law, result in delay or outright loss of SBC's authority to offer interLATA services. Since some activities are performed on SWBT's behalf by other affiliates (e.g., product development and network planning), affiliate transactions between a 272 affiliate and any non-272 affiliate may also be required to comply with these guidelines.

To assist existing in-region subsidiaries in meeting their legal and regulatory obligations, an oversight team is being established, comprised of representatives from Regulatory, Legal and In-region Strategic Planning. Additionally, the team will also include appropriate representatives from California and Nevada; a letter similar to this one will be circulated to the necessary PacTel organizations.

The goal of this in-region team is to provide expedited review of all affiliate transactions between SWBT or a non-272 affiliate and any subsidiary that is either currently operating under 272 structural separations rules or is slated to do so within the next year. This "272


Oversight Team" will meet each Friday for the purpose of reviewing proposed requests for affiliate services or other joint activities and to provide assistance in ensuring that the proposed transaction meets the OI&M / nondiscrimination tests.

Because we are under the legal obligation to provide a point of interface for our own subsidiaries that is identical to that provided to unaffiliated third parties, it is necessary to establish two separate points of contact for the 272 Oversight Team:

- All 272 affiliate requests for any SWBT-provided services should be directed to the customer contact point appropriate for the service being ordered (BSC, CPAT, Regional Marketing, etc.)
- All other affiliate transactions or other joint activities involving a SBC 272 subsidiary should be submitted in writing to Mary Marks, Senior Attorney, under a heading claiming Attorney/Client privilege, in care of Corine Duft (cd4537@stlmail8.sbc.com) prior to initiating any direct contact with the subsidiary from which the service is to be requested. These requests should contain a clear, concise statement of the facts, together with any attachments (drawings, supporting documentation, etc.) that will serve to better illuminate the issue. All requests should be submitted no later than close of business on Wednesday.

Effective immediately, please begin to coordinate with this group before instituting any affiliate transactions or other joint activities between existing or planned 272 subsidiaries and any other SBC affiliate. This process should help to ensure compliance with provisions of federal regulations and to avoid the risk of sanctions or other actions by a regulatory agency that can result from noncompliance. Further, the responsibility for adherence to these rules rests with each of us, as set forth in the Code of Business Conduct.

Your assistance in disseminating this information to your employees is appreciated.



Zeke Robertson
Senior Vice President - FCC



Durward D. Dupre
Vice President & Associate General Counsel -
Federal External Affairs, SWBT

CC: Mr. Allison
Mr. Carey
Mr. Casali
Mr. Clay
Mr. Dimmitt
Mr. Drexel
Mr. Eckhart
Mr. Epperson
Mr. Golden
Mr. Harris
Mr. Hull
Mr. Jennings
Mr. Kelly
Ms. Kinney
Mr. Kitchens
Mr. Lane
Ms. Legg
Mr. Lochman
Mr. Lucas
Ms. Meuleman
Mr. Pall
Mr. Payne
Mr. Porta
Mr. Theiss
Mr. Toppins
Ms. Vann
Mr. Young
Mr. Zamora

1. My name is James F. Riley. I am Director, Regulatory Affairs for Nevada Bell, a wholly owned subsidiary of Pacific Telesis Group, which is a wholly owned subsidiary of SBC Communications. I filed an affidavit in support of this Application indicating Nevada Bell's commitment to compliance with the requirements of Section 272 of the Telecommunications Act of 1996 (the Act) and with the regulations promulgated by the Commission. The purpose of this affidavit is to

reiterate Nevada Bell's intention and commitment to comply with the Act and the Commission's regulations and to reply to certain comments about Section 272 of the Act and the Commission's rules implementing that section that were filed in opposition to the Application.

2. Pursuant to Section 272 of the Act and paragraph 286 of the Non-Accounting Safeguards First Report and Order, other entities offering services that are the same or similar to services offered by Pacific Bell Communications (PBCOM) or Southwestern Bell Long Distance (SBLD) will have the same opportunity to market or sell Nevada Bell's telephone exchange services under the same conditions as PBCOM and SBLD.
3. Nevada Bell will negotiate with PBCOM and SBLD on an arm's length and nondiscriminatory basis to obtain transmission and switching facilities, to arrange for collocation of facilities, and to provide or obtain services other than those expressly prohibited by the Non-Accounting Safeguards First Report and Order.
4. The Act states that the separate affiliate "shall have separate officers, directors, and employees from the Bell operating company of which it is an affiliate." Section 272 (b) (3). Nevada Bell will comply with this requirement. No officer, director, or employee of Nevada Bell will simultaneously be an officer, director, or employee of PBCOM or SBLD in any possible combination of those roles.

